

Why don't people seek financial help sooner?

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Context:

Evidence shows that many people who could benefit from financial help are not seeking it soon enough. The barriers to seeking help sooner can be internal ones – attitudes and knowledge which might impact an individual's willingness to seek advice, or external ones – issues in the advice sector at large.

When people leave it too late to seek guidance and help, they are at risk of increasing their financial vulnerability.

This review brings together evidence on how best to support people to seek financial help sooner, focusing on key three areas: **1)** why people delay seeking guidance and help; **2)** why firms may not always provide the best help; and **3)** why consumers are reluctant to use help, advice, or guidance.

Why do people often delay seeking guidance and help?

StepChange data shows that many of their advice clients had been in financial difficulty for over 12 months before accessing advice.¹ When asked why, clients cited several reasons: anxiety or mental health problems; stigma about debt problems; uncertainty about whether advice would help; worries about the impact on their credit record; and lack of awareness that free debt advice was available.² Similar reasons are given as to why people are reluctant to engage with credit suppliers, too.

Accessing advice and guidance in a timely manner is important in helping people getting back on track sooner, and preventing escalation, such as ending up with a court case. Therefore, it is important that advice isn't seen as a 'last resort'.³

Financial services firms are not always good at providing that help

There is evidence that financial service firms offering help have mixed success.⁴ Many clients report that actions taken by firms worsened their problems, such as offering further credit whilst they were in financial difficulty, taking payments they couldn't afford, adding interest to outstanding debt, or using contact methods such as letters, texts or calls in excess.⁵

The FCA's new Consumer Duty sets out higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first.⁶ These measures, which will come into effect over the next couple of years, should help alleviate some of the aforementioned issues.

Why are consumers reluctant to take up advice?

Over half of UK adults are hesitant to seek help about financial difficulties from a bank or credit firm, citing anxiety and stigma, low trust in firms, and worries about credit reporting.⁷ The evidence suggests that there are both internal and external barriers to taking up guidance.

¹ StepChange, 'Falling behind to keep up: the credit safety net and problem debt', January 2022 <https://www.stepchange.org/Portals/0/assets/credit-safety-nets/Falling-behind-to-keep-up-the-credit-safety-net-and-problem-debt-StepChange.pdf> page 4

² StepChange page 17.

³ Europe Economics and the Money Advice Service, 'The Economic Impact of Debt Advice', January 2018 <https://moneyandpensionservice.org.uk/wp-content/uploads/2021/03/economic-impact-of-debt-advice-main-report.pdf> page 46.

⁴ StepChange page 15.

⁵ StepChange page 14.

⁶ Financial Conduct Authority, 'A new Consumer Duty', July 2022 <https://www.fca.org.uk/publication/policy/ps22-9.pdf> page 3.

⁷ StepChange page 4.

Internal:

- Denial: people are unaware, or in denial about, their financial issues, which is linked to cognitive biases where people are inherently optimistic about the future and are reluctant to change from the status quo.⁸
- Lack of headspace: people may lack the mental 'bandwidth' to address their financial issues, particularly as financial tasks are complex and take up lots of mental energy. Other issues, such as a 'mental tax', for example, being in debt can amplify procrastination.⁹
- Stigma: people may be afraid of the judgement of others, and if a behaviour, such as seeking advice or guidance, is outside of our socio-cultural norms, we may be reluctant to engage with it.¹⁰

External

- Provider confusion: people may be unaware of what providers are available, the various provider types, and what services providers offer beyond the extreme 'bankruptcy'.¹¹
- Perception: people may be sceptical of 'free' advice, associating it with a poorer quality of service, and words such as 'counselling' and 'poverty' put people off using services.¹²
- Mistrust: credit consumers and declined applicants appear not to trust the financial services industry as a whole, and there is a degree of uncertainty about which organisations can be trusted. This uncertainty extends to identifying 'genuine' independent advice organizations as opposed to those whose motivation is to sell products and services.¹³

Vulnerable customers in particular appear not to trust credit suppliers and are hesitant to engage in conversations with them.¹⁴

What next?

By offering these insights, we hope to provide a starting point for developing interventions that can support people to seek financial help sooner.

Did you find this review helpful? We would like to know what you think. Please contact us at whatworks@fincap.org.uk with your feedback, and any suggestions for further research or evaluation that should be included in future updates.

⁸ Ogilvy and The Money and Pensions Service, 'How to use behavioural science to increase the uptake of debt advice', September 2017 https://asauk.org.uk/wp-content/uploads/2018/03/MAS0032-MAS-BehaviouralChange_W.pdf page 25.

⁹ Ogilvy and The Money and Pensions Service, 'How to use behavioural science to increase the uptake of debt advice', September 2017 https://asauk.org.uk/wp-content/uploads/2018/03/MAS0032-MAS-BehaviouralChange_W.pdf page 5.

¹⁰ Ogilvy and The Money and Pensions Service, 'How to use behavioural science to increase the uptake of debt advice', September 2017 https://asauk.org.uk/wp-content/uploads/2018/03/MAS0032-MAS-BehaviouralChange_W.pdf page 20.

¹¹ The Money Advice Service, 'Evidence review for debt advice commissioning', July 2018 <https://moneyandpensionservice.org.uk/wp-content/uploads/2021/03/evidence-review-for-debt-advice-commissioning-july-2018.pdf> page 6.

¹² The Money Advice Service, 'Evidence review for debt advice commissioning', July 2018 <https://moneyandpensionservice.org.uk/wp-content/uploads/2021/03/evidence-review-for-debt-advice-commissioning-july-2018.pdf> page 6.

¹³ Coventry University and The Money and Pensions Service, 'Helping those who use credit to make ends meet' July 2022 <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet> page 5.

¹⁴ Coventry University and The Money and Pensions Service, 'Helping those who use credit to make ends meet' July 2022 <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet> page 40.

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